



October 6, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Email: rule-comments@sec.gov

**Subject: File Number 601-01
Euroclear Bank SA/NV; Notice of Filing of Application to Modify an Existing
Exemption from Clearing Agency Registration**

Dear Mr. Fields:

Paxos™, a U.S. financial technology company developing Bankchain™, a blockchain post-trade settlement solution that enables financial institutions to transact assets with reduced counterparty risk, lower capital requirements and increased operational efficiencies, wants to register its support for the CA-1 Modification Application filing submitted by Euroclear Bank SA/NV.

We know Euroclear Bank¹ as a respected and regulated global provider of settlement, collateral management and related services. Euroclear Bank provides its participants with efficient means of acquiring, holding, transferring and pledging security entitlements by electronic book-entry on its records outside the U.S., either free or versus payment in multiple currencies.

We share the SEC's expressed favorable view of the CA-1 application, which seeks to modify and broaden Euroclear Bank's 2001 (and earlier, its predecessor's 1998) exemption from registration as a clearing agency for U.S. government securities in order to now include U.S. equity securities in its collateral management services.

Having studied the application, we agree that as described comprehensively in the CA-1, especially given the limited scope of the modification request and in the light of more transparent additional monitoring, reporting and other conditions proposed, Euroclear

¹ Paxos and Euroclear recently announced a collaboration on the development of a blockchain settlement service for the gold market called Euroclear Bankchain: <http://www.prnewswire.com/news-releases/paxos-euroclear-collaborating-on-launch-of-euroclear-bankchain-for-gold-settlement-in-london-bullion-market-300335708.html>



should be considered compliant with applicable regulatory standards. These include overall risk management standards, systems resilience, governance and access policies, financial resources and disclosure, efficiency and cost-effectiveness, enhancement of competition, choice and innovation, and overall reduction in systemic risk in terms of meeting the exemption conditions. Another positive is that the SEC has taken into account, in its adoption of Rule 17Ad-22 Standards for Clearing Agencies, the evolving international standards represented by the CPSS (CPMI)-IOSCO Principles for Financial Market Infrastructures in establishing its own requirements and oversight in a manner consistent with Euroclear Bank's home regulator, the National Bank of Belgium.

We believe that Euroclear's services can help U.S. participants to optimize the management of their U.S. equities inventory by efficiently addressing collateral management needs in other markets and time zones.

This approach is especially timely in view of the implementation, across an increasing number of regions and jurisdictions, of significantly greater collateralization requirements for OTC derivatives, including implementation of mandatory initial margin on non-cleared derivatives in the U.S., Europe and Japan, as well as elimination of certain thresholds on variation margin. While these are initially impacting dealer participants, they will shortly be extended to their institutional clients next year.

These new and upcoming requirements are expected to add significantly greater complexity for collateral management. As stated in Euroclear's filing, industry research anticipates that as these regulatory changes take effect, the volume of required collateral movements will increase and the number of collateral settlement fails and associated costs are likely to rise proportionally. Effective management of collateral inventory on a real-time basis as afforded by Euroclear will be integral to reducing operational risk and increasing efficiencies.

Thus, we believe Euroclear's CA-1, and in particular, Exhibit S-1 Exemption Statement, are consistent with and supportive of key policy tenets of Section 17A of the Securities Exchange Act of 1934, including protection of investors, safeguarding of securities and funds and maintaining fair competition.

In commenting on the specific issues:

1. We feel that the Euroclear CA-1, including the proposed conditions offered to the SEC as a condition for the exemption, incorporates services and capabilities important for facilitating the purpose of the law. We conclude that this will provide U.S. public benefits and will advance the purposes of the Section 17A of the Exchange Act. As noted above, we believe that Euroclear Bank also satisfies the Rule 17Ad-22



standards in line with the CPSS (CPMI)-IOSCO Principles for Financial Market Infrastructures.

2. We feel the conditions proposed in the filing, including transaction monitoring and systems resilience, are appropriate and sufficient, and that the reporting conditions in particular will provide the SEC with greater transparency and broader visibility into cross-border collateral management.
3. We firmly agree that Euroclear Bank's provision of Clearing Agency Activities will enable U.S. participants to more efficiently satisfy their expanding collateral requirements. We believe that Euroclear's proposed inventory management approach will help U.S. participants to optimize management of their U.S. equities collateral and efficiently use their U.S. equities to address their collateral management requirements in other markets and time zones. While expanded margin and collateral requirements are initially impacting dealer participants, they will shortly be extended to their institutional clients. We would expect that lower collateral transaction costs and lower risk can result from managing the expanded volumes through Euroclear Bank.
4. We do not foresee other providers being disadvantaged. In fact, we would expect it will be beneficial to expand participants and their clients' options for addressing the increasing demands for collateral and margining support.
5. Rather than set a fixed volume limit at a time when the industry is gearing up for significant requirements, we would prefer for the SEC to monitor the natural growth of Euroclear's offering, with regular and special reporting.
6. We do not anticipate any other potential issues or concerns. The earlier exemption from clearing agency registration covering U.S. government securities has been in place safely for nearly two decades.

Sincerely,

Charles Cascarilla
Chief Executive Officer and Co-Founder
Paxos
140 East 45 Street
New York, NY 10017